GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:322
ANSWERED ON:03.02.2017
Transaction Charges
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Will the Minister of FINANCE be pleased to state:

a) whether the Government has any proposal to waive off bank transaction charges and decrease interest rate for credit cards to promote cashless transactions and if so, the details thereof;
b) whether the commission on every transaction is being charged by the banks or other agencies and if so, the details thereof along with the rate of commission charged by banks and other agencies on every transaction in the country; and
c) the steps taken/being taken by the Government to promote cashless transactions in the country?

Answer

The Minister of State in the Ministry of Finance

(a) and (b) Reserve Bank of India (RBI) has given banks the freedom to fix bank service charges for transactions.

RBI has deregulated interest rates on credit card dues. Interest rates are determined by banks with the approval of their respective Board of Directors subject to regulatory guidelines on interest rate on advances issued by RBI from time to time. RBI does not maintain information on the rate of commission charged.

(c) National Bank for Agriculture and Rural Development (NABARD) has approved a scheme for giving 0.5% incentive on payments made through the Aadhaar Enabled Payment System (AEPS) to merchants.

In respect of debit card transactions on PoS devices, between 1.1.2017 and 31.3.2017, Merchant Discount Rate (MDR) has been capped at 0.25% for transaction value upto Rs. 1,000, and for debit card transactions value between Rs. 1,000 and Rs. 2,000, MDR has been capped at 0.5%.

Reserve Bank of India has decided that till 31.3.2017, banks and prepaid payment instrument issuers shall not levy any charges on customers for transactions up to Rs. 1,000 settled on Immediate Payment Service (IMPS), Unstructured Supplementary Service Data (USSD) and Unified Payments Interface (UPI). Further, Government has issued a direction in public interest to all public sector banks not to charge fees for transactions settled on IMPS and UPI in excess of rates charged for National Electronic Funds Transfer (NEFT) for transactions above Rs. 1,000, with service tax being charged at actual; for USSD transactions till 31.3.2017 above Rs. 1,000, a further 50 paise discount is provided.

NPCI has waived switching fees for RuPay Card transactions (both for PoS and e-commerce), IMPS, UPI, National Unified USSD Platform (NUUP) and AEPS, with effect from 1.1.2017 till 31.3.2017.

Credit card, debit card, charge card and other payment card services by banks have been exempted from payment of service tax for transactions of up to Rs. 2,000.

Government has introduced Lucky Grahak Yojana for customers and Digi Dhan Yojana for merchants to promote means of cashless transactions.

In terms of Office of Controller General of Accounts Office Memorandum dated 14.12.2016, the applicable Merchant Discount Rate (MDR) charges on debit cards for payment up to Rs. 1 lakh shall be absorbed by the Government. In terms of Department of Public Enterprises letter dated 9.12.2016, all Central Public Sector Enterprises (CPSEs) are required to ensure that transaction fees, MDR charges associated with payment through digital means shall not be passed on to the consumers and all such expenses shall be borne by CPSEs.
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